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12/15/87

BARGAINS IN THE "PINK SHEETS"?

MSF INTERVIEW FRANÇOIS MITTERRAND

DECEMBER 28, 1987 THREE DOLLARS FIFTY CENTS

Forbes

THE MYSTERIOUS HINDUJA BROTHERS

WHERE DOES THEIR MONEY ME FROM

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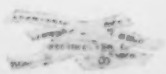
Forbes

DECEMBER 28, 1987
VOLUME 140
NUMBER 14



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Readers Say

Hard times ahead

SIR: Your article "The stock market is a lousy economic forecaster" *(Nov. 30)* concludes that the 1987 experience is a mere correcting of the market's own excesses. However, since 1955, the DJIA has dropped at least 19% on nine occasions. After eight of those nine declines, the rate of real GNP growth fell an annualized quarterly average of about 3.5% in the four quarters following the market peak.

With today's economic growth rate running at just above 3%, a drop in the growth rate near the historical average could push us to the brink of recession.

—Raymond Worseck
Economist,
A.G. Edwards & Sons, Inc.
St. Louis, Mo.

SIR: For the past six months, miniskirts have been coming back into style and look what has happened to the market. Just how high do skirts have to go for the market to act in traditional fashion?

—Alan R. Greenwald
Wheeling, Ill.

All down the line

SIR: Burlington Northern stock could be worth $140 a share if Dick Bressler ("All alone by the telephone," *Nov. 16*) would only realize that a great number of Burlington trains operate at half the speed of the competitive trucking industry. This is not due to employee contracts. I am hopeful that Bressler and his top-line officers will soon build or buy a business car that accommodates some common sense. Additionally, I am hopeful some of the ego would be left at the station.

—Ray L. Lineweber
Director,
United Transportation Union
Lincoln, Neb.

Guess who?

SIR: Your article "Does Guess have a friend in the IRS?" *(Nov. 16)* has effectively destroyed my reputation and has done great harm to me, my family and the IRS. It is clear FORBES has not corroborated the alleged facts or you never would have presented the many inaccuracies that exist in the article. As a result I asked the Internal Security Division of the IRS to investigate the allegations against me, which they are now doing. I will gladly share the results of this investigation when it is completed.

—Ronald E. Saranow
Tarzana, Calif.

FORBES' *story was thoroughly researched and the facts corroborated. Mr. Saranow was personally offered an interview opportunity prior to publication, yet declined. As Mr. Saranow knows, and the IRS has confirmed, the Service was investigating the allegations against him long before our article appeared.*—ED.

SIR: I was employed at Guess but left after nearly two years as head of production. Since my departure I have talked with numerous reporters and writers who were going to write about what was going on. After endless hours spent telling the story, I never read one article. Congratulations.

—Marcia L. Knotts
New York, N.Y.

More reserves

SIR: Newmont Gold Co. was listed in "There really is gold in them thar hills" *(Nov. 30)* as having only 5.6 million ounces in reserve. The correct number is 14 million ounces.

—James F. Hill
Vice President Corporate Relations,
Newmont Mining Corp.
New York, N.Y.

Education 101

SIR: It's hard to believe that the two sample questions in your article "This isn't school" *(Nov. 16)* represented the most difficult the SAT has to offer. Standards must have deteriorated since I took the test in 1970. The time spent eliminating incorrect answers outweighs the time it would take to deduce the correct answer. This tactic could prove fatal in a timed examination.

—Michael S. Vallone
Rosemont, Ill.

SIR: Your editorial on education *(Fact and Comment, Nov. 16)* refers to "undergraduate slide-rulers." Are slide rules still in use? Does the fact that I understand your reference mean that I am getting old?

—Stephen M. Goodman
New York, N.Y.

Thar she blows

Sir: Your article "Dollars ahoy!" *(Nov. 2)* dismisses the sailing segment of the boating industry as "elitist," requiring too much effort and training. Sailing has never been easier and requires relatively few, easily learned skills beyond those required by any boater, power or sail. The article has done a disservice to the sailboat industry and sailors alike.

—Bob Johnson
Largo, Fla.

Overstated

SIR: Your article "List of opportunity?" *(Nov. 16)* overstated the extent and value of my investment in Addison-Wesley. It should have read 2.3%, not 23.6%.

—Donald R. Hammonds
Chairman,
Addison-Wesley Publishing Co.
Reading, Mass.

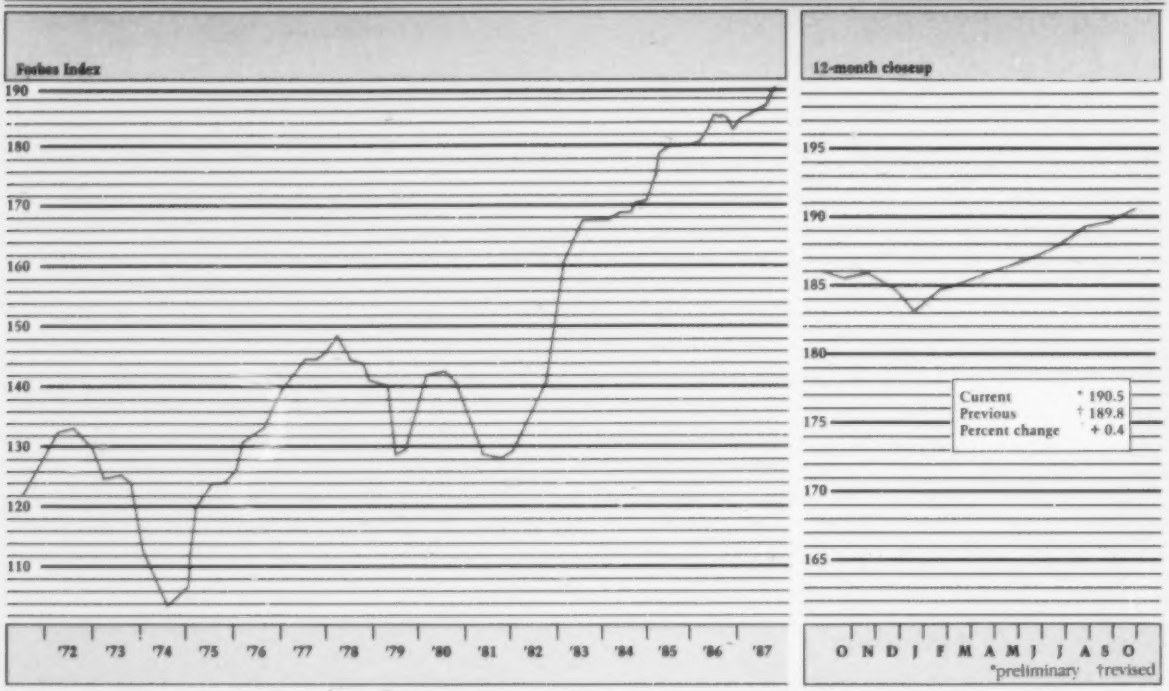
Doggie to-do

SIR: When Seattle Slew won the Derby, was it considered social climbing because his owners came equipped for the race? When Dennis Connors won the America's Cup did it make it less of a win because Connors wasn't a member of the New York Yacht Club? When Jimmy Connors won Wimbledon, did it diminish the victory because he didn't belong to the Royal Family? Then why is it "social climbing" ("The status game is afoot," *Nov. 2*) when the Reeses win at Madison Square Garden?

The dog game is not about social climbing. It is about dogs.

—Denny Kodner
Highland Park, Ill.

The Forbes Index



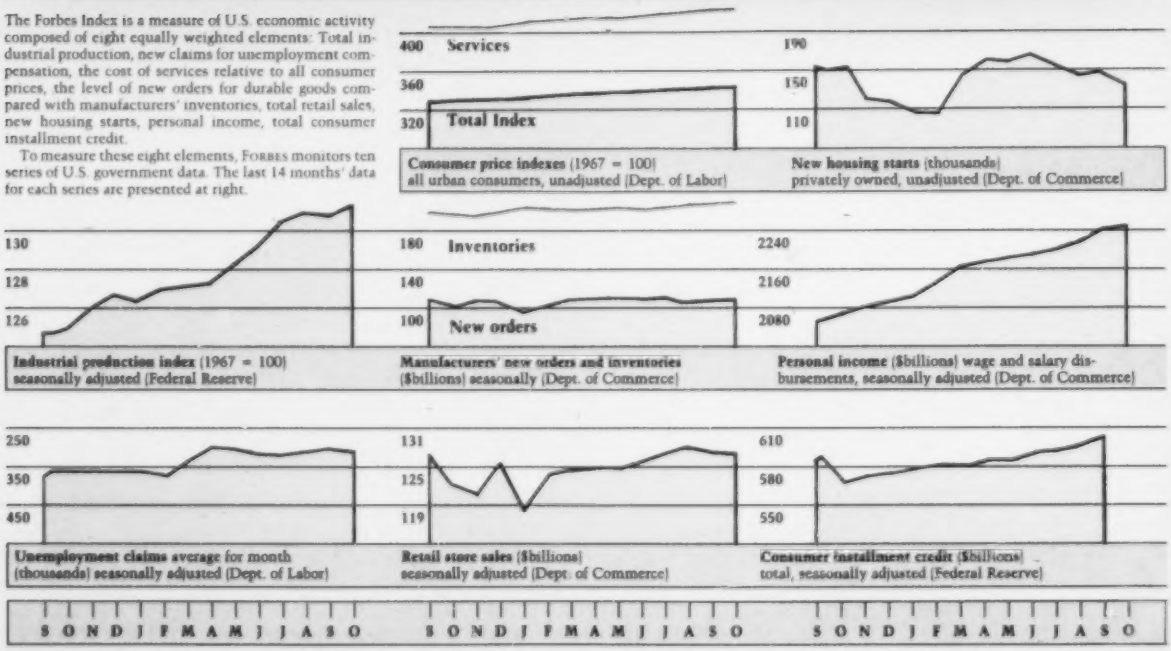
Climbing in turbulence. The Forbes Index managed to gain 0.4%, for a ninth consecutive increase. But weakness in manufacturing limited the gain. The ratio of manufacturers' new orders for durable goods (three months through October) to inventories (October) fell 0.3%.

Personal income went up 0.7% from September to October, to an annualized level of $2.26 trillion. And modest increases in the cost of living also boosted the Forbes Index. The cost of commodities, pushed up by higher costs for imported apparel, went up 0.4% in October. Services rose 0.2%, and the overall CPI increased 0.3%. Wall Street's decline may eventually take its toll. But through October the Forbes Index has grown at a 3.9% annual rate, vs. 3.3% for the same period last year.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


400 Services
360
320 Total Index
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
190
150
110
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
130
128
126
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
180 Inventories
140
100 New orders
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
2240
2160
2080
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
131
125
119
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
610
580
550
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
S O N D J F M A M J J A S O
S O N D J F M A M J J A S O
S O N D J F M A M J J A S O

tect. Indeed, some Japanese claim they are reluctant to invest more heavily in *Ukiyo-e* because some prints are so hard to authenticate. Facsimile reproductions, made in Japan and sold to the West at the turn of the century as reprints of rare masterpieces, become faded and worn and may go on the market as genuine. At a Sotheby's auction in London in 1974, for example, a copy of a well-known Nishimura Shigenaga print, reproduced by the skillful facsimile maker Takimizawa in the 1920s, slipped into the Henri Vever collection and was passed off to an unwary investor (it was later returned).

If you are serious about collecting,

A Hiroshige landscape
$28,600 to $107,000 in 8 years.

Christie's Izzard advises buying early, fine impressions in good color. Don't buy damaged and faded late impressions. The better quality the print, the easier it is to resell. Be wary of inexpensive prints, caution the experts. Consider prints above $2,000.

How has the British Rail Pension Fund fared with its entire art portfolio? The fund, criticized for speculating in art more than a decade ago, invested less than 5% of its total assets in some 2,000 works of fine art and collectibles.

To date, with the exception of the Japanese prints and some other small collections, notably Old Master prints and silver *(see below)*, the fund's return has been unexceptional. Says British Rail's David Andrews, "We've just managed to beat inflation," noting that the fund's annual rate of return on artwork has barely topped 10%. ■

Sotheby's Art Market Trends

Index sectors	Nov 1987	One month ago	One year ago	Two years ago	Five years ago	One month % change	One year % change	Two year % change	Five years % change	Five years average annual % change
Old Master paintings	349	349	303	289	199	nil	+15.2	+20.8	+75.4	+11.9
19th-century European paintings	323	323	267	249	184	nil	+21.0	+29.7	+75.5	+11.9
Impressionist & Post-impressionist art	661	661	432	371	268	nil	+53.0	+78.2	+146.6	+19.8
Modern paintings (1900-1950)	666	666	429	342	254	nil	+65.2	+94.7	+162.2	+21.3
Contemporary art (1945 onward)	609	597	551	497	342	+2.0	+10.5	+22.5	+78.1	+12.2
American paintings (1800-pre-WWII)	789	789	687	635	449	nil	+14.8	+24.3	+75.7	+11.9
Continental ceramics	320	320	290	284	266	nil	+10.3	+12.7	+20.3	+3.8
Chinese ceramics	550	550	486	486	462	nil	+13.2	+13.2	+19.0	+3.5
English silver	381	349	338	306	189	+9.2	+12.7	+24.5	+101.6	+15.1
Continental silver	220	201	201	178	134	+9.5	+9.5	+23.6	+64.2	+10.4
American furniture	459	459	404	330	213	nil	+13.6	+39.1	+115.5	+16.6
French & Continental furniture	319	319	299	273	234	nil	+6.7	+16.8	+36.3	+6.4
English furniture	634	594	485	382	267	+6.7	+30.7	+66.0	+137.5	+18.9
Aggregate index*	482	477	376	336	255	+1.0	+28.2	+43.5	+89.0	+13.6

Basis: 1975 = 100 ($).

©Sotheby's 1987

*Contemporary art was added to the Art Index in September 1987. The aggregate index excludes this category prior to that date.

Sotheby's Art Market Trends reflect subjective analyses and opinions of Sotheby's art experts, based on auction sales and other information deemed relevant. Nothing in Sotheby's Art Market Trends is intended as investment advice or as a prediction or guarantee of future performance or otherwise.

Monthly highlights

Art markets around the world exhibited substantially greater strength than the financial markets last month.

Leave aside the Vincent van Gogh painting "Irises," which, only days after the mid-October stock market crash, sold for $53.9 million—the most expensive artwork ever sold at auction. More telling was the competitive bidding across the board for Impressionist paintings, drawings and sculpture. Sotheby's sold $84.3 million (not counting the van Gogh) and Christie's sold $50.6 million of Impressionist art in the span of four days.

Index highlights

Early November auctions in New York proved that the market for contemporary paintings remains strong, but the increased bidding at middle and lower levels of quality seen in recent months seems to have abated.

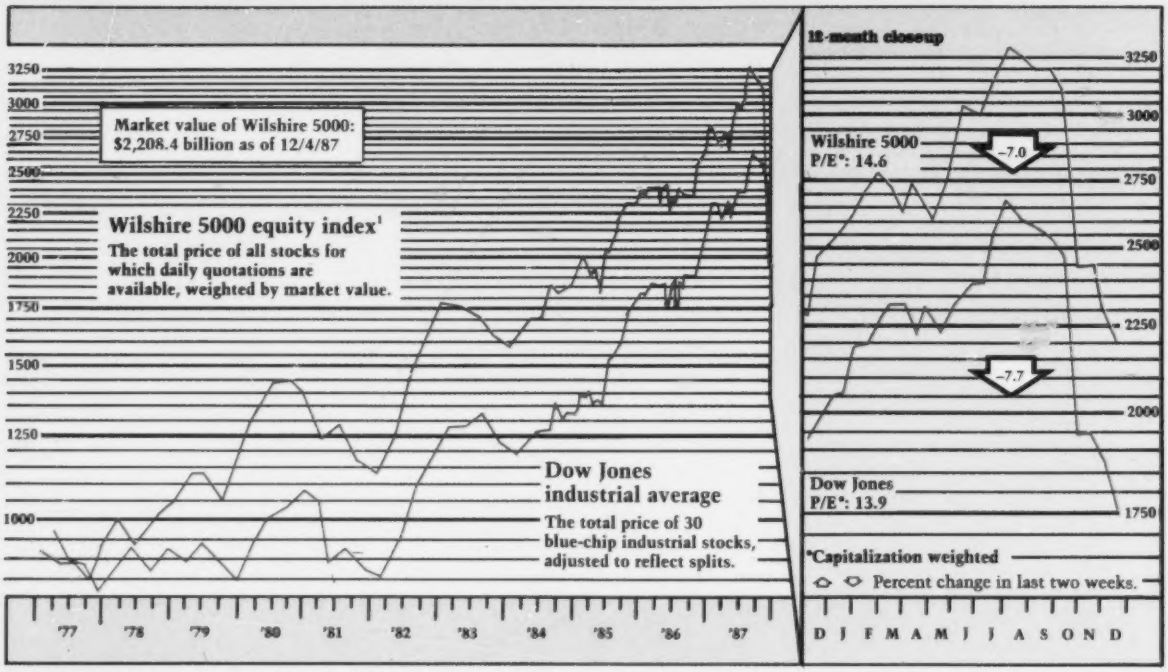
Sales of Chinese porcelain in Hong Kong were extremely successful. Results included a world auction record of $959,000 (HK$7,480,000) for a 14th-century blue-and-white Yuan porcelain dish.

In London, sales of English silver included a number of important pieces from the British Rail Pension Fund's portfolio of artworks formed in the 1970s. Results were strong. Prices for their 28 pieces totaled $2,228,000, over five times the initial purchase cost.

Overall, auction buyers this month gravitated toward top-level artwork, regardless of the collecting field. They were more discriminating, however, when it came to items that had been on the market recently or that were of less than blue-chip quality, accounting for a higher unsold percentage than seen in recent seasons.

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen


Market value of Wilshire 5000: $2,208.4 billion as of 12/4/87
Wilshire 5000 equity index[1]
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
3250
3000
2750
2500
2250
2000
1750
1500
1250
1000
'77 '78 '79 '80 '81 '82 '83 '84 '85 '86 '87
12-month closeup
Wilshire 5000 P/E*: 14.6
-7.0
-7.7
Dow Jones P/E*: 13.9
*Capitalization weighted
Percent change in last two weeks.
D J F M A M J J A S O N D

Another meltdown? Wall Street still hasn't resolidified. On Dec. 4 the Dow industrials came less than five points away from their Oct. 19 nadir before rebounding and finishing 28 points above it. But the capitalization-weighted Wilshire index of 5,900 issues shows that the overall market is in worse shape than it was after the October panic. In fact, the Wilshire finished each of the last five sessions below its Oct. 19 bottom of 2310. The past two weeks have been a disaster, with blue chips suffering even larger losses than secondary shares. The Amex is off 4.4% and the Nasdaq 6.5%, while the Dow is down 7.7% and the NYSE 7.1%. The Wilshire index shows that the overall market is off 7%. If there is any consolation to be gained from this misery it is that earnings haven't fallen—yet. At the end of September the Wilshire index was selling for 21.7 times latest 12-month earnings. In just the last two weeks the Wilshire P/E has dropped from 16.4 to 14.6.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	–10.2	–10.6	–9.8	–10.1	–9.1	–10.4
in last 52 weeks	–13.4	–12.2	–8.2	–12.4	–13.4	–19.5

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–10.5	–8.7	–11.8	–4.5	–10.8	–8.0	–6.0	–6.9	–10.7	–6.3	–9.2	–9.4
in last 52 weeks	–13.0	0.9	3.0	–0.8	–18.8	–15.2	–10.9	11.1	5.2	–9.7	–11.7	–2.5

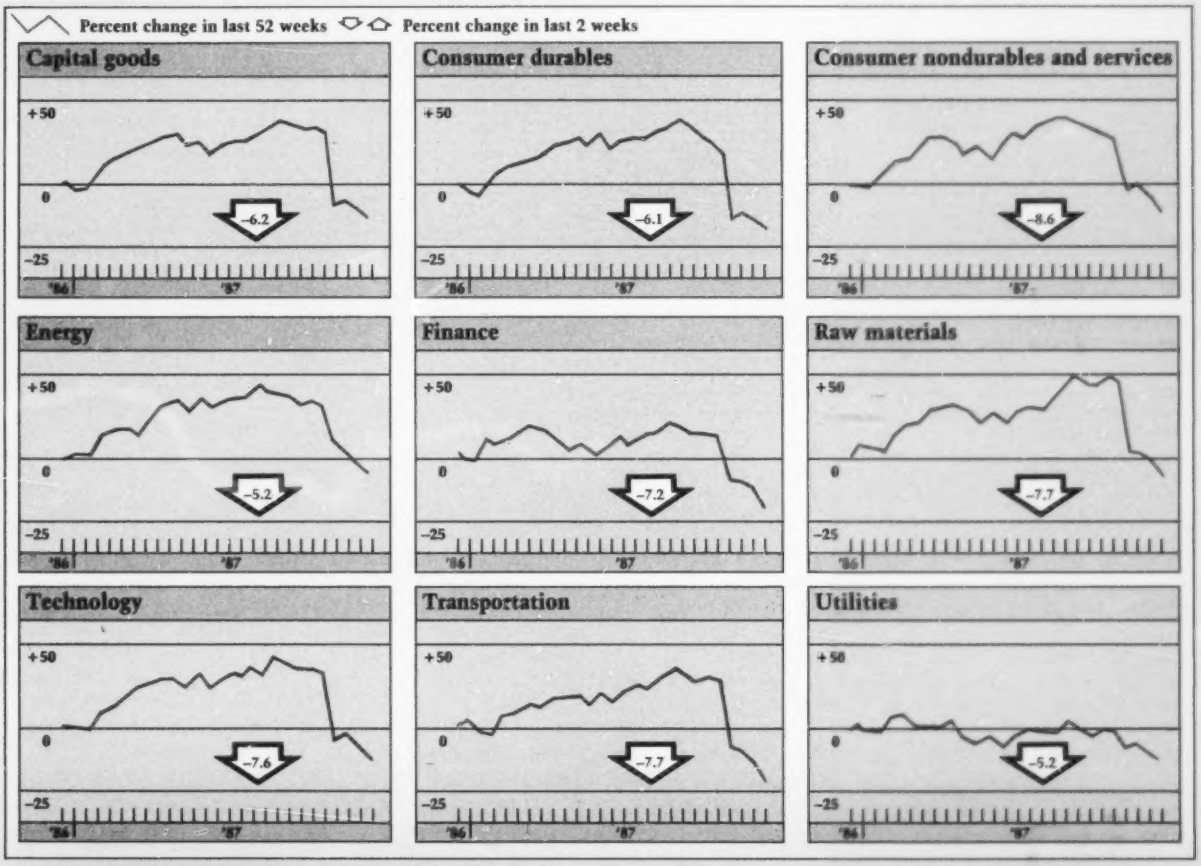
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 12/4/87. Prepared by Wilshire Associates, Santa Monica, Calif.

Gay French

Where the Action Is

Utilities held up—but only in comparison with the rest of the market. Large yields protected utility stocks as they registered a 5.2% decline against the overall market's 7%. The decline in energy, also 5.2%, was cushioned by indications that Texaco and Pennzoil might be closer to resolving their legal battle. Texaco was up 10%, Pennzoil, 7%. Concerns about consumers' response to the collapse in stocks brought consumer nondurables the worst 2-week score, a loss of 8.6%. In this diverse group Tyson Foods, Brunswick, and Charming Shoppes all lost over 23%. Sharp declines in First Executive, Morgan Stanley and Cincinnati Financial sparked a 7.2% decline in the finance group. In the past 52 weeks investors in finance stocks lost 24.5% of their money.



What the Analysts Think

Low finance. Estimates for 1987 earnings of finance stocks dropped 5.2% in the last 2 weeks and 10.6% in the last 4 weeks. Among the major stocks with sharp 2-week estimate cuts: Republic New York, E.F. Hutton, Stewart Information Services (a title insurance company) and First Federal of Michigan.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.40	13.8
1987 estimates	2.80	11.9
1988 estimates	3.66	9.1

Rank based on change in estimate	Sector	Estimated 1987 EPS	Estimated 1987 P/E	% change in 1987 estimate in 2 weeks	% change in 1987 estimate in 4 weeks
1	Consumer durables	$4.79	10.0	8.72%	3.18%
2	Utilities	2.39	9.2	0.17	0.39
3	Consumer nondurables	2.33	12.4	0.45	-0.78
4	Technology	2.50	12.1	-0.45	-0.60
5	Capital goods	2.16	15.4	-0.80	-0.42
6	Energy	2.34	13.6	-1.00	-1.80
7	Raw materials	2.42	11.8	-1.28	-0.01
8	Transportation	1.97	12.1	-2.89	-4.78
9	Finance	1.36	17.2	-5.15	-10.57

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 12/4/87. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.